

Q & A on Registered Warrants

What is a registered warrant?

A registered warrant is a “promise to pay,” or an IOU, that is issued by the State when there are not enough funds to pay all of its General Fund obligations. Registered warrants bear interest and are redeemable by the State Treasury only when the General Fund has sufficient money. If the Legislature and Governor fail to enact budgetary solutions that provide enough cash for the State to pay all of its bills by July 2, the Controller will begin issuing registered warrants. Assuming there is adequate cash in the Treasury, those warrants may be redeemed on October 1, 2009. Both the issue and the maturity date will be printed on the warrant.

How do you know if you have a “registered” warrant, instead of a “regular” warrant?

Registered warrants will be identified with the word “REGISTERED” printed on the face of the warrant. It will also contain a special endorsement stamp on the reverse side.

Why is the State issuing registered warrants?

Without action by the Governor and Legislative Republicans to stave off a severe cash deficit of almost \$3 billion at the end of July, and more than \$3.5 billion in August, the Controller will be forced to issue individual registered warrants, also called IOUs, for some payments:

What is the difference between a registered warrant and a regular, or “normal” warrant?

A regular warrant is redeemable by the State Treasurer after it is issued. Registered warrants are negotiable instruments, but they will not be redeemed by the State Treasurer until the warrant matures on October 1, 2009, and the State has enough cash to cover the amount of the warrants.

When will payees receive registered warrants?

The registered warrants are issued like regular, or normal, warrants, and will be received on the same day you would have received a regular warrant.

Will financial institutions honor a registered warrant?

Recipients of registered warrants should contact their financial institution to determine whether they will honor the registered warrant before the redemption date.

What happens if a financial institution will not accept the registered warrant?

Payees may decide to open an account at another financial institution that will accept registered warrants, or they will have to hold the warrant until it matures on October 1, 2009.

Who will continue to receive regular, or “normal,” pay warrants?

The State Constitution mandates that education and debt service have priority status, and the Controller will work to ensure there are sufficient funds to continue to make those payments with regular warrants. The State Constitution, federal law and court order also require that State payroll, CalPERS, CalSTRS, In-Home Supportive Services and Medi-Cal providers continue to be paid with regular warrants.

Who will receive registered warrants?

The State in July will issue registered warrants, or IOUs, for all other payments, including those to private businesses, local governments, taxpayers receiving income tax refunds and owners of unclaimed property.

PAYMENTS TO BE MADE WITH IOUs JULY 2nd	\$3.357 BILLION
Student Aid Commission (includes funding for Cal Grants)	\$159 million
SSI/SSP grant assistance to aged, blind or disabled persons*	\$591 million
CalWorks (temporary assistance for basic family needs, including specific welfare-to-work requirements)	\$495 million
County Administration (payments for operating costs and salaries of county staff who administer public assistance programs)	\$ 64 million
Funding for regional centers providing services to persons with developmental disabilities	\$363 million
Mental health payment assistance to counties for providing an array of mental health treatment and rehabilitative services.	\$ 90 million
Alcohol and drug abuse payment assistance to counties for providing prevention, treatment, and recovery services.	\$127 million
Judicial Branch (support for the operation of the trial courts)	\$ 41 million
Miscellaneous Local Assistance for cities and counties	\$229 million
State Operations (primarily vendor payments)	\$424 million
Small Business Vendors	\$141 million
Capital Outlay	\$364 million
Non-Governmental Costs (counties for social welfare)	\$ 71 million
Personal Income Tax Refunds	\$140 million
Corporate Tax Refunds	\$ 58 million

When will the State start issuing registered warrants?

If the Legislative Republicans and the Governor do not allow budget solutions to be enacted that provide adequate cash to pay the State's bills, registered warrants will be issued for payments that are not required to be made with a regular warrant beginning July 2, 2009.

How long will payees have to hold on to registered warrants?

Assuming there is sufficient cash in the State Treasury, registered warrants may be redeemed on October 1, 2009, the maturity date printed on the warrant.

How can payees redeem the warrant?

When registered warrants are eligible for redemption, they can be "cashed in" at financial institutions, or presented in person or by mail to the State Treasurer's Office at 915 Capitol Mall, Sacramento, CA 95814.

Will the State pay interest on the registered warrants?

The State will pay interest on warrants presented in person or by mail to the State Treasurer's Office for redemption. Contact your financial institution for information about their policy on paying interest.

How much interest will the State pay?

The State's Pooled Money Investment Board will set the interest rate for registered warrants at an emergency meeting on July 2. The State will pay that interest from the time the warrant is issued until it matures on October 1, 2009. As soon as the rate is set, this Web site will be updated with more information.

How can payees get the interest?

Warrant recipients must hold the warrant until it is redeemable and present it in person or by mail to the State Treasurer's Office at 915 Capitol Mall, Sacramento, CA 95814. Warrant recipients should contact their financial institution for information about their policy on paying interest.

When will the State stop issuing the registered warrants?

Registered warrants will be issued until the State has sufficient cash to cover all of its bills and redeem outstanding IOUs. The ability to restore making all payments with regular warrants depends on when the Governor and the Legislature reach real resolutions that address the State's long-term budget deficit and provide immediate cash in the State Treasury.

Will the State pay for any overdraft or late payment that occurs because a registered warrant was issued and recipients were unable to redeem it for a period of time? No, the state will not pay any fees imposed/assessed as a result of warrants being issued.

Will individuals who receive SSI/SSP payments each month receive an IOU for the State's share?

No. The federal Social Security Administration has notified California that it will continue to pay in full both the federal Supplemental Security Income (SSI) and the State Supplementary Payment (SSP) to recipients in July and August. State officials will continue to work with the Social Security Administration to ensure California's 1.2 million SSI/SSP recipients are not affected by IOUs.

Will unemployment benefits or disability insurance benefits be paid with an IOU?

No. Individuals receiving unemployment or disability payments will not receive registered warrants from the State. Those payments are made by the Employment Development Department, and are paid out of special funds, not the State's depleted General Fund. For questions regarding unemployment benefits, please call 1-866-333-4606. For questions about disability insurance, please call 1-800-480-3287.

Will individuals currently retired and receiving retirement benefits be paid with registered warrants?

No. Retirees will continue to be paid with regular warrants.

Will individuals claiming lost property from the State be paid with a registered warrant?

Yes, all property owner claims are paid out of the State's General Fund and will be paid with a registered warrant.

Will lost warrants be able to be replaced?

Individuals should use the normal process for reporting lost warrants, which is contacting the agency that authorized the payment.

Who can you call to complain about this?

Contact the Governor or your local representative in the Senate and Assembly. The Governor's telephone number is (916) 445-2841. A list of the California Assembly and Senate members and their contact information is available at www.leginfo.ca.gov.

Where can individuals go for more information?

Starting after 1 p.m. on Wednesday, July 1, individuals may call the State Controller's registered warrants assistance phone line at **1-866-267-4255**. More information will also be available on the State Treasurer's Web site at www.treasurer.ca.gov.